

## Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 NSCE-00 /026 W

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FM AMEMBASSY CAIRO

TO AMEMBASSY ABU DHABI IMMEDIATE

INFO SECSTATE WASHDC IMMEDIATE 665

S E C R E T CAIRO 2882

EXDIS

DEPARTMENT PASS TREASURY

ABU DHABI PASS SECRETARY SIMON FROM AMBASSADOR

E.O. 11652: GDS

TAGS: OVIP (SIMON, WILLIAM E.)

SUBJECT: SECRETARY SIMON VISIT: CAIRO STOP - COMMENTS ON  
SUBSTANTIVE DISCUSSIONS

REF: (A) CAIRO 2715 (B) CAIRO 2867

1. FOLLOWING HELPFUL SUBSTANTIVE REVIEW BY WAHL  
BASED ON BRIEFING MATERIAL PREPARED FOR YOU, I WOULD  
LIKE TO OFFER SOME COMMENTS IN THIS CONNECTION  
WHICH I HOPE WILL BE USEFUL TO YOU IN YOUR SUBSTANTIVE  
DISCUSSIONS IN CAIRO.

2. IN LIGHT OF DELICATE POLITICAL  
SITUATION CONTINUING TO PREVAIL HERE, PARTICULARLY  
IN VIEW OF CERTAIN ARAB CRITICISM OF EGYPT RE  
SINAI II AGREEMENT AND OF LACK OF MOVEMENT ON  
NEGOTIATING FRONT OR IN MAKING US MILITARY EQUIPMENT  
AVAILABLE, ANY APPROACH WE MAKE ON THE ECONOMIC SIDE  
SHOULD BE CAREFULLY PREPARED WITH THIS BACKGROUND  
IN MIND.

3. AS POATS HAS PROBABLY TOLD YOU, UNDER SECRETARY  
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ROBINSON, WHILE NOTING DIFFICULTIES WE ANTICIPATE IN

ENCOURAGING CONTRIBUTIONS FROM WESTERN AND JAPANESE DONORS, INDICATED THAT US WOULD MAKE EFFORT TO ASSIST EGYPT TO OBTAIN OUTSIDE FINANCIAL ASSISTANCE TO HELP IT SURMOUNT ITS BOP PROBLEM. INITIAL APPROACH TO POSSIBLE DONORS WOULD BE MADE BY GOE AFTER WHICH US WOULD MAKE SUPPORTIVE APPROACH. AS REPORTED OTHER CAIRO TELEGRAMS, SAME GOE APPROACHES HAVE ALREADY BEGUN, I.E. FRG.

4. RECENT COMMITMENTS RECEIVED BY SADAT DURING HIS TOUR OF SAUDI ARABIA AND GULF STATES (REFTEL A) ARE ENCOURAGING, BUT WILL NOT MAKE IT ANY EASIER TO CONVINCE EGYPTIANS TO ACCEPT IBRD-LED CONSORTIUM OF DONORS OR EVEN TO INVITE DONORS TO MEET IN CAIRO TO CONSIDER SERIOUS EGYPTIAN FINANCIAL PROBLEM. THIS SHOULD NOT DISSUADE US, OF COURSE, FROM TRYING TO PROMOTE AN ARRANGEMENT OF THIS TYPE AND TO ENCOURAGE BETTER MANAGEMENT OF EGYPT'S FINANCES. BECAUSE PRIMIN WAS UNAVAILABLE FOR CONSULTATION RE PROPOSED MEETING OF POTENTIAL DONOR COUNTRY AMBASSADORS WITH UNDER SECRETARY ROBINSON, MINECON SHAFEI WAS UNWILLING AGREE TO CONVENE IT WITHOUT PRIMIN APPROVAL. IN ANY EVENT, EGYPTIANS RELUCTANT DISCLOSE THEIR DETAILED FIGURES TO POSSIBLE EUROPEAN AND JAPANESE DONORS. THEY CONTINUE REGARD FIGURES AS CONFIDENTIAL.

5. WITH SUBSTANTIAL INCREASE IN OUR AID PROGRAM, ONCE IT IS APPROVED BY CONGRESS, WE SHOULD BE ABLE TO PROVIDE AUGMENTED ASSISTANCE TO HELP EGYPT MEET ITS BOP PROBLEM THROUGH CIP AND PL 480 WHEAT/WHEAT FOUR. TOTAL AMOUNT WE EXPECT WILL BE AVAILABLE DURING CY 76 IS ABOUT \$400 MILLION (NOT \$500 MILLION WHICH WE UNDERSTAND IS INDICATED IN YOUR BRIEFING MATERIAL), WHICH WILL BE DIVIDED BETWEEN FY 76 AND FY 77. WE SHOULD, OF COURSE, BE CAREFUL NOT TO OFFER HOPE -- AT THIS POINT AT LEAST -- OF ANY POSSIBLE INCREASE IN COMMODITY OR OTHER QUICK-DISBURSING CATEGORIES OF ASSISTANCE, SINCE THIS WOULD SERVE TO DETER PROPORTIONATELY POSSIBLE EFFORTS OF OTHER DONORS AS WELL AS OF GOE TO OBTAIN FURTHER HELP FROM ITS ARAB BROTHERS.

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6. APPARENTLY THERE IS SOME REFERENCE IN YOUR BRIEFING MATERIAL TO POSSIBLE EGYPTIAN REQUEST TO RESCHEDULE DEBTS TO US. THIS HAS NEVER BEEN RAISED HERE WITH US, NOR DO WE EXPECT IT TO BE. IF EGYPTIANS DO NOT RAISE IT, WE SHOULD CERTAINLY AVOID DOING IT OURSELVES.

7. THERE SEEMS TO BE SOME DIFFERENCE OF VIEW

EXISTING WITH RESPECT TO THE TAX ADMINISTRATION ASSISTANCE PROGRAM WHICH WE HAVE BEEN DISCUSSING WITH MINFIN (UNDER SECRETARY HABIB). BECAUSE OF INITIAL EGYPTIAN REACTION, OUR APPROACH HAD BEEN NOT REPEAT NOT TO PROPOSE LONG TERM ASSISTANCE PROJECT INVOLVING CONSPICUOUS ROLE FOR AMERICAN TAX EXPERTS IN MINFIN TAX ADMIN DEPARTMENT. THERE ARE CURRENTLY SIX EGYPTIAN TAX EXPERTS TRAINING IN US. THEY ARE EXPECTED TO RETURN IN APRIL AND, ON BASIS OF THEIR REPORTS, HABIB INTENDS TO SPECIFY KIND OF ASSISTANCE HE THINKS US CAN BEST PROVIDE. TAX ADMINISTRATION AND COLLECTION ARE, OF COURSE, TOUCHY SUBJECTS ANYWHERE. IN THIS CASE, OUR GENERAL POLICY OF LOW VISIBILITY WOULD CERTAINLY SEEM TO APPLY. THEREFORE, I DO NOT FEEL WE SHOULD PUSH EGYPTIANS ON THIS ISSUE, BUT RATHER ENCOURAGE THEM, ON BASIS OF WHAT THEY HAVE LEARNED IN US, TO INDICATE WHERE WE MIGHT HELP.

8. YOU MAY HAVE SEEN OUR CABLE (REFTEL B) REPORTING APPROVAL BY CENTRAL BANK OF DEPOSIT OF TEN MILLION EGYPTIAN POUNDS OF US OWNED EXCESS CURRENCY IN CHASE NATIONAL BANK. WE ARE SEEKING DETAILS PERTAINING TO INTEREST REATE (1-1/2 PERCENT) AND FLEXIBILITY IN USE OF DEPOSITED FUNDS.

9. I HAVE ONLY ATTEMPTED HERE TO TOUCH ON THOSE POINTS WHERE THERE SEEMS TO BE SOME DISCREPANCY BETWEEN YOUR BRIEFING MATERIAL AND OUR VIEWS HERE AS TO POLICY WE HAVE BEEN FOLLOWING HERE. MAESTRONE, TEMPLETON AND PECK ARE FULLY CONVERSANT WITH THESE MATTERS AND I HAVE ASKED THEM TO PROVIDE YOU WITH ANY FURTHER INFORMATION YOU MAY DESIRE.  
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NOTE BY OCT: NOT PASSED TRSE.

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